

8 April 1970

NOTE FOR: Mr. Maury

With respect to the Retirement Act legislative package:

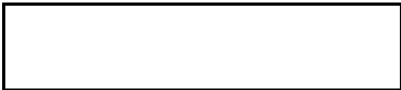
Roger Jones--As a courtesy we should inform him what we are doing in connection with funding (this ties back to our conversations with him concerning budgetary costs of our Daniels-McGee bill amendments). Also he is in an excellent position to foresee any problems we might have with BOB or other Executive agencies such as Treasury.

John Clarke--Has been fully read into the funding aspects and supports the concept as a sound approach and the best alternative at this time.

Colonel White--You may wish to remind him of the status of the amendment to give the Director administrative authority to change the Retirement Act. The essential point is while we and Roger Jones think it is a fine idea, it is dead for the time being because of the negative reaction of our Committee staff (reflecting the attitude of Committee members), Jones' own advice that we only push under limited circumstances, and the fact that even if we convince our Committee we could have trouble on the floor.

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 he comments
that we also point out to Col. White
that we have not proposed increasing
maximum annuity from 70 to 80%;
a proposal BOB has previously cleared
for us.

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PROPOSED AMENDMENTS TO THE CIA RETIREMENT ACT OF 1964

Item	Purpose	CIA Retirement Act Section	Precedent	Previous Action
1.	Eliminate requirement that step-child or recognized natural child be dependent upon retiree to qualify for survivor annuity.	Sec. 204(b)(3)	Civil Service P.L. 89-504, Sec. 502	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 202(3)). 90th Congress: Cleared BOB, introduced in H.R. 7315
2.	Raise eligibility age for student survivor annuitant from 21 to 22 and increase authorized maximum absence from school from 4 to 5 months.	Sec. 204(b)(3)	Civil Service P.L. 89-504, Sec. 502 & P.L. 89-407	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 202 & 204). 90th Congress: Cleared BOB, introduced in H.R. 7315
3.	Permit natural child to share in the distribution of any money (lump-sum) left in the CIARDS fund.	Sec. 204(b)(3)	Civil Service P.L. 89-407	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 202). 90th Congress: Cleared BOB, introduced in H.R. 7315
4.	Clarifies commencement and termination date for child survivor annuity	Sec. 221(e)	Civil Service P.L. 89-504, Sec. 506(d)	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 204). 90th Congress: Cleared BOB, introduced in H.R. 7315

Item	Purpose	CIA Retirement Act Section	Precedent	Previous Action
5.	Authorize annuity for retiree to begin as soon as he enters non-pay status.	Sec. 221(g)	Civil Service 5 U.S.C. 8345 over- coming 5 U.S.C. 8301	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 205). 90th Congress: Cleared BOB, introduced in H.R. 7315
6.	Authorize CIA annuitant to be reemployed in the Federal Government and to retain the salary of the new position plus so much of his annuity which when added to his new salary will not exceed his salary at the time of retirement.	Sec. 273(a)	Foreign Service Act Sec. 872	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 207). 90th Congress: Cleared BOB, introduced in H.R. 7315
7.	Repeal the present limitation of 400 retirements from 1 July 1969 through 30 June 1974.	Sec. 236	Not involved	None
8.	Provide an option to participant who has prior creditable service not covered by retirement to use the time in computing his annuity but reduce the annuity by 10 per cent of the sum due to cover the service if he decides not to make the deposit.	Sec. 252(b)	Civil Service 5 U.S.C. 8339(h)	None

Item	Purpose	CIA Retirement Act Section	Precedent	Previous Action
9.	Permit direct transfer of retirement funds--employee and Government--from other retirement funds to the CIARDS and from the CIARDS to other funds.	Sec. 206	None	89th Congress: Cleared BOB, passed House (H.R. 16306, Sec. 206). 90th Congress: Cleared BOB, introduced in H.R. 7315
10.	Direct transfer by Treasury to the Fund of interest on unfunded liability and the cost of annuity payments attributable to military service.	Sec. 101	Civil Service and Foreign Service, P.L. 91-93 & P.L. 91-201	None
11.	Appropriation authority for 30 year amortization of newly created unfunded liability.	Sec. 102	Civil Service and Foreign Service, P.L. 91-93 & P.L. 91-201	None

TAB

B

OLD PROPOSALS

- Adopt the more liberal Foreign Service provision relating to salary retention when an annuitant is reemployed by the Government (full salary plus annuity up to former CIA salary).
The Civil Service based rule in our Act pays full annuity and reduces the new salary by the amount of the annuity.
- Authorize a retiree's annuity to commence the day after separation, like Civil Service, rather than the first day of the month following separation.
- The remaining four old proposals enlarge the definition of the term "child" and clarify the termination and commencement date of a child's annuity to conform to changes approved for the Civil Service system during the 89th Congress.

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NEW PROPOSALS

- Repeal the present limit on the number of retirements authorized. (The limit of 400 from 1 July 1969 to 30 June 1974 probably will be reached in last half of 1972.)

- Adopt the more liberal Civil Service provision for crediting prior civilian service not subject to deductions (option to credit service with small reduction in annuity). The Foreign Service based rule in our Act requires payment to cover deductions and interest due or forfeiture of the time involved.

TAB D

FUNDING PROPOSALS

- Immediately increase the CIA Fund by the transfer of some \$20 million from the Civil Service Fund, representing the Government contribution paid principally by this Agency on behalf of employees whose benefits now will be paid out of the CIA Fund and not the Civil Service Fund. The Government's contribution would also follow the employee when he transferred from the CIA system to another Federal-salary retirement system. This proposal also has been cleared twice by the Civil Service Commission and the Bureau of the Budget. (It was transmitted to the 89th and 90th Congresses, and favorably acted upon by the House in the 89th Congress.)
- Adopt the same comprehensive funding program enacted for the Civil Service and Foreign Service systems by the 91st Congress, authorizing:
 - a. Direct transfer by Treasury to the Fund of interest on unfunded liability (excess of present and prospective obligations over present and prospective assets); and the cost of annuity payments attributable to military service.

b. Appropriation authorization for 30 year amortization of newly created unfunded liability (resulting from future statutory benefit liberalization or salary increase).

Payment of interest on unfunded liability and military credit payments will extend the solvency of the Fund from 1990 to 2033. The transfer of Government contributions to the Fund would extend solvency for 16 years to 2049. This suggests a need for supplemental funding in addition to the proposed program, which the Director of Finance proposes to review when the next actuarial study is completed in 1974.

If the foregoing proposals are not adopted, and as an alternative, we might have to rely upon the annual appropriations process to maintain the Fund on a sound basis. This approach, however, has serious drawbacks in subjecting the payment of annuities to the annual appropriations process. It would also introduce a substantial, inflexible, annual item into our appropriations by 1990, beginning at [REDACTED] and rising quickly to about [REDACTED] in 2008.

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Basic

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

OCT 23 1969

Honorable Richard Helms
Director, Central
Intelligence Agency
Washington, D. C. 20505

Attention: Mr. John Maury
Legislative Counsel

Dear Mr. Helms:

This is in response to Mr. Maury's request of October 21, 1969, for advice on a draft bill "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes."

The draft bill would provide for employees covered under the CIA Retirement Act the benefit liberalizations recently provided for Federal employees under the Civil Service retirement system in P.L. 91-93. We recognize the equity of providing to members of the CIA retirement system benefits equivalent to those available to members of the civil service retirement system.

On the other hand, a primary purpose of P.L. 91-93 was to provide adequate financing for the civil service retirement system. It does this by providing for:

- contribution rates which completely cover normal cost (13.98%),
- special appropriations in amounts equal to the unfunded liability resulting from future pay raises, liberalizations of benefits, or extensions of coverage to other groups,

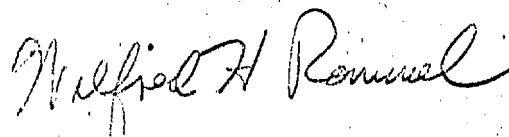
- annual payments from the Treasury to cover interest on the existing unfunded liability, and
- annual payments from the Treasury to cover the annual cost of annuity payments attributable to military service credits.

We believe that adequate financing should also be provided for the CIA retirement system. We understand that an actuarial study of the CIA retirement system is currently underway and will be completed in the near future. When the results are available, we would appreciate your advising us:

- if the combined employee/agency contributions contained in your draft bill will cover the normal cost of the CIA system and, if not, how you would propose to fund the normal cost, and
- how interest on the existing unfunded liability and new unfunded liability resulting from future pay increases and benefit liberalizations should be funded.

In the interim, however, there is no objection, from the standpoint of the Administration's program, to the submission of the draft legislation to the Congress.

Sincerely yours,



Wilfred H. Rommel
Assistant Director for
Legislative Reference

TAB

BOB Package

CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

Mr. Wilfred H. Rommel
Assistant Director for Legislative Reference
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This submits proposed legislation in accordance with Bureau of the Budget Circular No. A-19, revised. Enclosed are four copies of a draft bill, "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes." Also enclosed are copies of a sectional analysis, a comparison with existing law, and a draft of the letter of transmittal to the President of the Senate and the Speaker of the House of Representatives.

Title I authorizes financing identical to that approved for the Foreign Service system in P.L. 91-201, as adopted from applicable law for the Civil Service system, P.L. 91-93.

All but two proposals in Title II have received favorable consideration previously (twice by the Civil Service Commission and twice by the Bureau of the Budget, as reflected in letters from the Civil Service Commission to the Assistant Director for Legislative Reference dated 14 February 1966 and 12 January 1967 and to this Agency from the Acting Assistant Director and the Assistant Director for Legislative Reference dated 5 April 1966 and 13 February 1967). These proposals were approved by the House of Representatives in H.R. 16306 on 3 August 1966 but no further action was taken by the 89th Congress. They were reintroduced in the 90th Congress (H.R. 7315) but deferred, without prejudice, to expedite favorable action on cost-of-living amendments (P.L. 90-539).

The two new proposals in Title II:

- Repeal the present limit on the number of retirements authorized during the period 1 July 1969 through 30 June 1974. (Section 204)
- Adopt the Civil Service rule for crediting prior civilian service for which no deductions have been made and for granting survivors the right to make special contributions to purchase prior service. (Sections 203(k) and 206)

The financing proposals recommended in Title I of the proposed legislation are submitted in response to your request of 23 October 1969. The actuarial study of the system, completed recently under the direction of Mr. Cedric Kroll, Department of Treasury, estimates normal cost at 30.38 percent of the salary of the participants. This valuation was made as of 31 December 1968 but gives effect to the expenditure and income features of P.L. 91-185. Current funding of normal cost amounts to 16.67 percent (7 percent each for employee and Agency contributions and an estimated 2.67 percent for employee contributions transferred from the Civil Service Fund). The current unfunded 13.71 percent is treated in the actuarial study as residual normal cost to the Government. Unfunded liability is projected to be \$129,539,000 on 30 June 1970. The amendments in Title II are not considered to have a measurable cost impact.

It is estimated that the fund will be depleted in 1990 if funding is limited to employee/Agency contributions, transfer of employee contributions and interest income. Treating normal cost deficiency as unfunded liability and subject to the interest payment schedule proposed in section 102 of Title I would extend solvency to 2033. Transferring Government contributions as proposed in section 203 would extend solvency to 2049. This suggests that even with the enactment of Title I additional supplemental funding may be needed-- a subject we intend to review closely when the next actuarial study is completed in the next several years.

Advice is requested as to whether there is any objection to the submission of the proposed legislation to the Congress from the standpoint of the Administration's program.

Sincerely,

John M. Maury
Legislative Counsel

Enclosures

A BILL

To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 TITLE I -- RETIREMENT FINANCING

4 SEC. 101. Section 111 of the Central Intelligence
5 Agency Retirement Act of 1964 for Certain Employees, as
6 amended, (78 Stat. 1043; 50 U.S.C. 403 note) is further
7 amended--

8 (1) by striking out "and" at the end of paragraph (2);

9 (2) by striking out the period at the end of paragraph

10 (3) and inserting a semicolon in lieu thereof; and

11 (3) by adding the following new paragraphs (4) and

12 (5):

13 "(4) 'fund balance' means the sum of--

14 "(a) the investments of the fund calculated at

15 par value; and

1 "(b) the cash balance of the fund on the books of
2 the Treasury; and

3 "(5) 'unfunded liability' means the estimated excess of
4 the present value of all benefits payable from the fund to
5 participants and former participants, subject to this Act,
6 and to their survivors, over the sum of--

7 "(a) the present value of deductions to be withheld
8 from the future basic pay of participants currently
9 subject to this Act and of future Agency contributions
10 to be made in their behalf; plus

11 "(b) the present value of Government payments to
12 the fund under section 261 of this Act; plus

13 "(c) the fund balance as of the date the unfunded
14 liability is determined."

15 SEC. 102. (a) Section 261 of the Central Intelligence
16 Agency Retirement Act (50 U.S.C. 403 note) is amended by
17 inserting "(a)" after "261." and by adding the following new
18 paragraphs (b) and (c):

19 "(b) Any statute or authority based on statute which
20 authorizes--

1 "(1) new or liberalized benefits payable from the
2 fund, including annuity increases other than under
3 section 291 of this Act;

4 "(2) extension of the coverage of this Act to new
5 groups of employees; or

6 "(3) increases in pay on which benefits are
7 computed;

8 is deemed to authorize appropriations to the fund to finance
9 the unfunded liability created by that statute or authority in
10 30 equal annual installments with interest computed at the
11 rate used in the then most recent valuation of the Central
12 Intelligence Agency Retirement and Disability System and
13 with the first payment thereof due as of the end of the fiscal
14 year in which each new or liberalized benefit, extension of
15 coverage, or increase in pay is effective.

16 "(c) At the end of each fiscal year, the Director shall
17 notify the Secretary of the Treasury of the amount equivalent
18 to (1) interest on the unfunded liability computed for that year
19 at the interest rate used in the then most recent valuation of
20 the System, and (2) that portion of disbursement for annuities
21 for that year which the Director estimates is attributable to

1 credit allowed for military service. Before closing the
2 accounts for each fiscal year, the Secretary shall credit
3 to the fund, as a Government contribution, out of any
4 money in the Treasury of the United States not otherwise
5 appropriated, the following percentages of such amounts:
6 10 percent for 1971; 20 percent for 1972; 30 percent for
7 1973; 40 percent for 1974; 50 percent for 1975; 60 percent
8 for 1976; 70 percent for 1977; 80 percent for 1978; 90 per-
9 cent for 1979, and 100 percent for 1980 and for each fiscal
10 year thereafter. The Director shall report to the President
11 and to the Congress the sums credited to the fund under this
12 paragraph."

13 (b) The provisions of paragraph (c) of section 261 shall
14 become effective at the beginning of the fiscal year which
15 ends on June 30, 1971.

16 TITLE II--RETIREMENT ACT AMENDMENTS

17 SEC. 201. The Central Intelligence Agency Retirement Act
18 of 1964 for Certain Employees, as amended, (78 Stat. 1043; 50
19 U.S.C. 403 note) is further amended by striking subsection 204
20 (b)(3) and inserting the following in lieu thereof:

1 "(3) 'Child', for the purposes of sections 221 and 232
2 of this Act, means an unmarried child, including (i) an
3 adopted child, and (ii) a stepchild or recognized natural
4 child who lived with the participant in a regular parent-child
5 relationship, under the age of eighteen years, or such un-
6 married child regardless of age who because of physical or
7 mental disability incurred before age eighteen is incapable
8 of self-support, or such unmarried child between eighteen
9 and twenty-two years of age who is a student regularly
10 pursuing a full-time course of study or training in residence
11 in a high school, trade school, technical or vocational institute,
12 junior college, college, university, or comparable recognized
13 educational institution. A child whose twenty-second birthday
14 occurs prior to July 1 or after August 31 of any calendar year,
15 and while he is regularly pursuing such a course of study or
16 training, shall be deemed for the purposes of this paragraph
17 and section 221(e) of this Act to have attained the age of
18 twenty-two on the first day of July following such birthday. A
19 child who is a student shall not be deemed to have ceased to be
20 a student during any interim between school years if the interim

1 does not exceed five months and if he shows to the satisfaction
2 of the Director that he has a bona fide intention of continuing
3 to pursue a course of study or training in the same or different
4 school during the school semester (or other period into which
5 the school year is divided) immediately following the interim.
6 The term 'child', for purposes of section 241, shall include
7 an adopted child and a natural child, but shall not include a
8 stepchild."

9 SEC. 202. Section 221(e) of the Central Intelligence Agency
10 Retirement Act (50 U.S.C. 403 note) is amended to read as
11 follows:

12 "(e) The commencing date of an annuity payable to a child
13 under paragraph (c) or (d) of this section, or (c) or (d) of
14 section 232, shall be deemed to be the day after the annuitant
15 of participant dies, with payment beginning on that day or
16 beginning or resuming on the first day of the month in which the
17 child later becomes or again becomes a student as described
18 in section 204(b)(3), provided the lump-sum credit, if paid, is
19 returned to the fund. Such annuity shall terminate on the last
20 day of the month before (1) the child's attaining age eighteen
21 unless he is then a student as described or incapable of self-
22 support, (2) his becoming capable of self-support after

1 attaining age eighteen unless he is then such a student, (3) his
2 attaining age twenty-two if he is then such a student and not
3 incapable of self-support, (4) his ceasing to be such a student
4 after attaining age eighteen unless he is then incapable of self-
5 support, (5) his marriage, or (6) his death, whichever first
6 occurs."

7 SEC. 203. Section 221 of the Central Intelligence Agency
8 Retirement Act (50 U.S.C. 403 note) is amended by deleting
9 the last two sentences of paragraph (f), and adding the
10 following new paragraphs (i), (j), and (k):

11 "(i) Except as otherwise provided, the annuity of a
12 participant shall commence on the day after separation from
13 the service, or on the day after salary ceases and the
14 participant meets the service and the age or disability
15 requirements for title thereto. The annuity of a partici-
16 pant under section 234 shall commence on the day after the
17 occurrence of the event on which payment thereof is based.
18 An annuity otherwise payable from the fund allowed on or
19 after date of enactment of this provision shall commence on
20 the day after the occurrence of the event on which payment
21 thereof is based.

1 "(j) An annuity payable from the fund on or after date of
2 enactment of this provision shall terminate (1) in the case of
3 a retired participant, on the day death or any other terminating
4 event occurs, or (2) in the case of a survivor, on the last day
5 of the month before death or any other terminating event occurs.

6 "(k) The annuity computed under this section is reduced by
7 10 percent of a special contribution described by section 252(b)
8 remaining unpaid for civilian service for which retirement
9 deductions have not been made, unless the participant elects
10 to eliminate the service involved for the purpose of annuity
11 computation."

12 SEC. 204. Section 236 of the Central Intelligence Agency
13 Retirement Act (50 U.S.C. 403 note) is amended by placing a
14 period after "June 30, 1969" and deleting the remainder of the
15 section.

16 SEC. 205. Section 252 of the Central Intelligence Agency
17 Retirement Act (50 U.S.C. 403 note) is amended by deleting
18 paragraph (c)(1); renumbering paragraphs (c)(2) and (c)(3) to
19 read (c)(3) and (c)(4); and inserting the following new para-
20 graphs (c)(1) and (c)(2):

1 "(c)(1) If an officer or employee under some other Govern-
2 ment retirement system becomes a participant in the system by
3 direct transfer, the Government's contributions (including interest
4 accrued thereon computed at the rate of 3 percent a year compounded
5 annually) under such retirement system on behalf of the officer or
6 employee shall be transferred to the fund and such officer or
7 employee's total contributions and deposits (including interest
8 accrued thereon), except voluntary contributions, shall be trans-
9 ferred to his credit in the fund effective as of the date such officer
10 or employee becomes a participant in the system. Each such
11 officer or employee shall be deemed to consent to the transfer of
12 such funds and such transfer shall be a complete discharge and
13 acquittance of all claims and demands against the other Government
14 retirement fund on account of service rendered prior to becoming
15 a participant in the system.

16 "(c)(2) If a participant in the system becomes an employee
17 under another Government retirement system by direct transfer
18 to employment covered by such system, the Government's contri-
19 butions (including interest accrued thereon computed at the rate of

1 3 percent a year compounded annually) to the fund on his behalf
2 may be transferred to the fund of the other system and his total
3 contributions and deposits, including interest accrued thereon,
4 except voluntary contributions, shall be transferred to his credit
5 in the fund of such other retirement system effective as of the
6 date he becomes eligible to participate in such other retirement
7 system. Each such officer or employee shall be deemed to consent
8 to the transfer of such funds and such transfer shall be a complete
9 discharge and acquittance of all claims and demands against the
10 fund on account of service rendered prior to his becoming eligible
11 for participation in such other system."

12 SEC. 206. Section 252 of the Central Intelligence Agency
13 Retirement Act (50 U.S.C. 403 note) is amended by adding the
14 following new paragraph (g):

15 "(g) For the purpose of survivor annuity, special contributions
16 authorized by paragraph (b) of this section may also be made by
17 the survivor of a participant."

18 SEC. 207. Section 273 of the Central Intelligence Agency
19 Retirement Act (50 U.S.C. 403 note) is amended by deleting

1 paragraph (a); renumbering paragraph (b) to read (c); and inserting
2 the following new paragraphs (a) and (b):

3 "(a) Notwithstanding any other provision of law, any annuitant
4 who has retired under this Act and who is reemployed in the
5 Federal Government service in any appointive position either on
6 a part-time or full-time basis shall be entitled to receive the
7 salary of the position in which he is serving plus so much of his
8 annuity payable under this Act which when combined with such
9 salary does not exceed during any calendar year the basic salary
10 such officer or employee was entitled to receive on the date of his
11 retirement or separation from the Agency. Any such reemployed
12 officer or employee who receives salary during any calendar year
13 in excess of the maximum amount which he may be entitled to receive
14 under this paragraph shall be entitled to such salary in lieu of
15 benefits hereunder.

16 "(b) When any such annuitant is reemployed, the employer
17 shall notify the Director of Central Intelligence of such reemploy-
18 ment and shall provide all pertinent information relating thereto."

SECTIONAL ANALYSIS AND EXPLANATION

TITLE I -- FINANCING

Section 101 amends section 111 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, to add the following definitions:

"Fund balance" is defined as the par value of securities in which retirement money is invested plus the uninvested cash remaining in the retirement fund.

"Unfunded liability" is defined as the estimated amount needed to finance all benefits payable from the fund less the money now in the fund and to be placed in the fund in the future. These definitive terms are necessary for the implementation of the subsequent provisions of the bill; comparable definitions were added for the Civil Service by section 101(3) of Public Law 91-93.

Section 102 amends section 261 of the Act to add two new paragraphs as follows:

New paragraph (b) authorizes appropriations to the fund in equal annual installments over a 30-year period to finance any newly created unfunded liability incurred by the enactment of future legislation, or the exercise of authority based on statute, including benefit improvements.

for active employees, extension of coverage to new groups of employees, general salary increases, and any new statutory annuity increases (other than automatic cost-of-living adjustments). Interest would be required to be included in these amortized payments at the rate used in the then most recent valuation of the system.

New paragraph (c) provides for direct appropriations, under permanent indefinite authority, to be made to meet the Government's obligation for (1) the present unfunded liability which arises from legislation already enacted, authority based on statute already exercised plus any that may arise as a result of Title II of this bill, and (2) the cost of military service credit. New paragraph (c) would direct the Secretary of the Treasury to pay into the fund each year: (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the system, and (2) that portion of disbursement for annuities for that year which the Director estimates is attributable to credit allowed for military service. Payments under this paragraph would commence on June 30, 1971, at 10 percent of the prescribed amount. An additional 10 percent would be paid in each subsequent year until, in 1980 and in each subsequent year, 100 percent of the prescribed amount would be paid. The Director would be required to report to the President and to the Congress the sums credited under this procedure.

Provisions identical to new paragraphs (b) and (c) with the same effective dates were adopted for the Civil Service by sections 103(a)(2) and 103(b) of P. L. 91-93 and for the Foreign Service by sections 104(a) and 104(b) of P. L. 91-201.

TITLE II -- RETIREMENT ACT AMENDMENTS

Section 201 amends section 204(b)(3) of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, to eliminate the requirement that a child be dependent upon a parent participant in order to receive a survivor annuity, to raise from 21 to 22 the maximum age for receiving survivor annuity payments as a student, to increase from 4 to 5 the maximum months absence from school which may be permitted without terminating such a survivor annuity, and to permit a natural child of a deceased participant to share in the distribution

of any money or deposit in the CIA Retirement and Disability Fund which belongs to the deceased participant. Similar changes in the administration of the Civil Service retirement system were approved during the 89th Congress by amendment to the Civil Service Act, P. L. 89-407, and the "Civil Service Retirement Act Amendments of 1966" set forth in P. L. 89-504.

Section 202 amends section 221(e) of the Act to provide for the commencement and termination date for a child survivor annuity and to assure that the survivor annuity of a student may be granted even though it had previously been terminated. A similar provision is contained in the Civil Service Retirement Act Amendments of 1966, Sec. 506(d), P. L. 89-504.

Section 203 amends section 221 of the Act by adding new paragraphs (g), (h), and (i) as follow:

New paragraph (g) authorizes the payment of annuities from the fund as soon as a participant otherwise eligible for an annuity enters non-pay status and incorporates specific provisions for commencement of annuities to survivors, conforming to the Civil Service provision set forth at 5 U.S.C. 8345(b).

New paragraph (h) incorporates specific provisions for the termination of annuities to retirees and survivors, conforming to the Civil Service provision set forth at 5 U.S.C. 8345(c).

New paragraph (i) provides an option to credit prior civilian service for which no deductions have been made by reducing the resulting annuity by 10 percent of the amount owed, conforming to the Civil Service provision set forth at 5 U.S.C. 8339(h).

Section 204 amends section 236 of the Act to repeal the present limit on the number of retirements authorized during the period 1 July 1969 through 30 June 1974. It is estimated that the limit of 400, which applies to all retirements except disability, will be reached in fiscal year 1973. Under these circumstances orderly retirement planning cannot proceed. The limit on number of retirements was established in the Act only for the first ten years of the operation of the retirement system and the numerical limitations placed in the Act were based upon the best estimates that were available at that time assuming a stable rather than a reducing work force.

Section 205 amends section 252 of the Act to permit the transfer to the fund of the employer's contributions as well as the contributions of the employee when an employee is transferred from some other Government retirement system to the CIA Retirement and Disability System. In addition, it authorizes the transfer from the Agency retirement fund of the employee's and the employer's contributions whenever a participant becomes eligible for participation in any other Government retirement system. Thus the retirement fund incurring the liability for the payment of benefits, would also be in receipt of all contributions made by or on behalf of the employee so covered. It would also permit direct transfer of the employee contribution from the CIA Fund to any other fund, eliminating the present cumbersome and costly procedure which requires: refund, income tax payment on any interest, and repurchase of service credit in new system by deposit of refund and appropriate interest.

Section 206 amends section 252 of the Act by adding a new paragraph to grant to survivors the same right afforded participants to purchase prior civilian service. This change conforms to the Civil Service provision as set forth in 5 U.S.C. 8334(h).

Section 207 amends section 273(a) of the Act to permit an annuitant retired under the Act to receive his full salary upon reemployment in the Federal Government service subject to a maximum limitation of combined salary and annuity in the amount of his salary at the time of retirement. Agency retirees, with few exceptions, need to seek a second career and may well desire such a career elsewhere in Government. CIA employees do not acquire status in the competitive service, however, and much of their experience and competence cannot readily be related to normal Government positions. The total offset of annuity upon reemployment in Government service, as it is now required, tends to limit second career employment opportunities for CIA retirees to the private sector. It thus tends to deny to the Government the services of individuals who, even though they have completed their CIA careers, are highly competent. Retirees under the CIA Retirement and Disability System have earned their annuities at the time when they retire. This principle appears to have been established for the reserve military officer, and more recently, the retired regular military officer, and for the retired Foreign Service Officer. With respect to retired military officers a reservist can retain both his civilian salary and his entire annuity, and a regular officer can retain his salary plus the first \$2,359.87 (presently) of his annuity and 50 percent of the balance thereof.

CHANGES IN EXISTING LAW

Changes in existing law made by the draft bill are shown as follows: existing law in which no change is proposed is shown in roman; existing law proposed to be omitted is enclosed in brackets; new matter is underscored.

Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended (78 Stat. 1043; 50 U.S.C. 403 note).

TITLE I--TITLE AND DEFINITIONS

* * * * *

Part B--Definitions

SEC. 111. When used in this Act, the term--

(1) "Agency" means the Central Intelligence Agency;

(2) "Director" means the Director of Central Intelligence;
[[and]]

(3) "Qualifying service" means service performed as a participant in the system or, in the case of service prior to designation, service determined by the Director to have been performed in carrying out duties described in section 203 [[.]] ;

(4) 'fund balance' means the sum of--

(a) the investments of the fund calculated at par value; and

(b) the cash balance of the fund on the books of the Treasury; and

(5) 'unfunded liability' means the estimated excess of the present value of all benefits payable from the fund to participants and former participants, subject to this Act, and to their survivors, over the sum of--

(a) the present value of deductions to be withheld from the future basic pay of participants currently subject to this Act and of future Agency contributions to be made in their behalf; plus

(b) the present value of Government payments to the fund under section 261 of this Act; plus

(c) the fund balance as of the date the unfunded liability is determined.

* * * * *

TITLE II--THE CENTRAL INTELLIGENCE AGENCY
RETIREMENT AND DISABILITY SYSTEM

* * * * *

Part A--Establishment of System
Rules and Regulations

* * * * *

Annuitants

SEC. 204. (a) Annuitants shall be participants who are receiving annuities from the fund and all persons, including surviving wives and husbands, widows, dependent widowers, children, and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act.

(b) When used in this Act the term--

(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by marriage to the participant.

(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by marriage to the participant, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

(3) "Child", for the purposes of sections 221 and 232 of this Act, means an unmarried child, including (i) an adopted child, and (ii) a stepchild or recognized natural child who [received more than one-half of his support from and] lived with the participant in a regular parent-child relationship, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support, or such unmarried child between eighteen and [twenty-one] twenty-two years of age who is a student regularly pursuing a full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child whose [twenty-first] twenty-second birthday occurs prior to July 1 or after August 31 of any calendar year, and while he is regularly pursuing such a course of study or training, shall be deemed for the purposes of this paragraph and section 221(e) of this Act to have attained the age of [twenty-one] twenty-two on the first day of July following such birthday. A child who is a student shall not be deemed to have ceased to

be a student during any interim between school years if the interim does not exceed four five months and if he shows to the satisfaction of the Director that he has a bona fide intention of continuing to pursue a course of study or training in the same or different school during the school semester (or other period into which the school year is divided) immediately following the interim. The term "child," for purposes of section 241, shall include an adopted child and a natural child, but shall not include a stepchild.

* * * * *

Part C--Computation of Annuities

SEC. 221.

* * * * *

(e) [[The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the day after the participant dies, and such annuity or any right thereto shall terminate on the last day of the month before (1) his attaining age eighteen unless incapable of self-support, (2) his becoming capable of self-support after age eighteen, (3) his marriage, or (4) his death, except that the annuity of a child who is a student as described in section 204(b)(3) of this Act shall terminate on the last day of the month before (1) his marriage, (2) his death, (3) his ceasing to be such a student, or (4) his attaining age twenty-one.]]

The commencing date of an annuity payable to a child under paragraph (c) or (d) of this section, or (c) or (d) of section 232, shall be deemed to be the day after the annuitant or participant dies, with payment beginning on that day or beginning or resuming on the first day of the month in which the child later becomes or again becomes a student as described in section 204(b)(3), provided the lump-sum credit, if paid, is returned to the fund. Such annuity shall terminate on the last day of the month before (1) the child's attaining age eighteen unless he is then a student as described or incapable of self-support, (2) his becoming capable of self-support after attaining age eighteen unless he is then such a student, (3) his attaining age twenty-two if he is then such a student and not incapable of self-support, (4) his ceasing to be such a student after attaining age eighteen unless he is then incapable of self-support, (5) his marriage, or (6) his death, whichever first occurs.

(f) Any unmarried participant retiring under the provisions of this Act and found by the Director to be in good health may at the time of retirement elect a reduced annuity, in lieu of the annuity as hereinbefore provided, and designate in writing a person having an insurable interest (as that term is used in section 9(h) of the Civil Service Retirement Act (5 U.S.C. 2259(h))) in the participant to receive an annuity after the participant's death. The annuity payable to the participant making such election shall be reduced by 10 percentum of an annuity computed as provided in paragraph (a) of this section, and by 5 percentum of an annuity so computed for each full five years the person designated is younger than the participant, but such total reduction shall not exceed 40 percentum. The annuity of a survivor designated under this paragraph shall be 55 percentum of the reduced annuity computed as prescribed above. [The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable.]

* * * * *

(i) Except as otherwise provided, the annuity of a participant shall commence on the day after separation from the service, or on the day after salary ceases and the participant meets the service and the age or disability requirements for title thereto. The annuity of a participant under section 234 shall commence on the day after the occurrence of the event on which payment thereof is based. An annuity otherwise payable from the fund allowed on or after date of enactment of this provision shall commence on the day after the occurrence of the event on which payment thereof is based.

(j) An annuity payable from the fund on or after date of enactment of this provision shall terminate (1) in the case of a retired participant, on the day death or any other terminating event occurs, or (2) in the case of a survivor, on the last day of the month before death or any other terminating event occurs.

(k) The annuity computed under this section is reduced by 10 percent of a special contribution described by section 252(b) remaining unpaid for civilian service for which retirement deductions have not been made, unless the participant elects to eliminate the service involved for the purpose of annuity computation.

Part D--Benefits Accruing to Certain Participants

* * * * *

Limitation on Number of Retirements

SEC. 236. The number of participants retiring on an annuity pursuant to sections 233, 234, and 235 of this Act shall not exceed a total of four hundred during the period ending on June 30, 1969, nor a total of four hundred during the period beginning on July 1, 1969, and ending on June 30, 1974.

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Part F--Period of Service for Annuities

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Prior Service Credit

SEC. 252.

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(c)(1) If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, the Government's contributions (including interest accrued thereon computed at the rate of 3 percent a year compounded annually) under such retirement system on behalf of the officer or employee shall be transferred to the fund and such officer or employee's total contributions and deposits [,] (including interest accrued thereon), except voluntary contributions, shall be transferred to his credit in the fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the system.

If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, (the Government's contributions (including interest accrued thereon computed at the rate of 3 percent a year compounded annually) under such retirement system on behalf of the officer or employee shall be transferred to the fund and such officer or employee's total contributions and deposits (including interest accrued thereon), except voluntary contributions, shall be transferred to his credit in the fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the system.

(2) If a participant in the system becomes an employee under another Government retirement system by direct transfer to employment covered by such system, the Government's contributions (including interest accrued thereon computed at the rate of 3 percent a year compounded annually) to the fund on his behalf may be transferred to the fund of the other system and his total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to his credit in the fund of such other retirement system effective as of the date he becomes eligible to participate in such other retirement system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the fund on account of service rendered prior to his becoming eligible for participation in such other system.

[(2)] (3) No participant, whose contributions are transferred to the fund in accordance with the provisions of paragraph (c) (1) of this section, shall be required to make contributions in addition to those transferred for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such participant on account of contributions made during any period to the other Government retirement fund at a higher rate than that fixed for employees by section 4(c) of the Civil Service Retirement Act (5 USC 2254 (c)) for contributions to the fund.

[[(3)] (4) No participant, whose contributions are transferred to the fund in accordance with the provisions of paragraph (c) (1) of this section, shall receive credit for periods of service for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the fund in accordance with the provisions of paragraph (b) of this section.

* * * * *

(g) For the purpose of survivor annuity, special contributions authorized by paragraph (b) of this section may also be made by the survivor of a participant.

* * * * *

Part G - Moneys

Estimate of Appropriations Needed

SEC. 261. (a) The Director shall prepare the estimates of the annual appropriations required to be made to the fund, and shall cause to be made actuarial valuations of the fund at intervals of five years, or oftener if deemed necessary by him.

(b) Any statute or authority based on statute which authorizes--

(1) new or liberalized benefits payable from the fund, including annuity increases other than under section 291 of this Act;

(2) extension of the coverage of this Act to new groups of employees; or

(3) increases in pay on which benefits are computed;

is deemed to authorize appropriations to the fund to finance the unfunded liability created by that statute or authority in 30 equal annual installments with interest computed at the rate used in the then most recent valuation of the Central Intelligence Agency Retirement and Disability System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of coverage, or increase in pay is effective.

(c) At the end of each fiscal year, the Director shall notify the Secretary of the Treasury of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year which the Director estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary shall credit to the fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Director shall report to the President and to the Congress the sums credited to the fund under this paragraph.

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Part H - Retired Participants Recalled, Reinstated, or
Reappointed in the Agency, or Reemployed in the
Government

* * * * *

Reemployment Compensation

SEC. 273. (a) Notwithstanding any other provision of law, any annuitant who has retired under this Act and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act [], but there shall be deducted from his salary a sum equal to the annuity allocable to the period of actual employment. [] which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement or separation from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

(b) When any such annuitant is reemployed, the employer shall notify the Director of Central Intelligence of such reemployment and shall provide all pertinent information relating thereto.

[(b)] (c) In the event of any overpayment under this section, such overpayment shall be recovered by withholding the amount over involved from the salary payable to such reemployed annuitant, or from any other moneys, including his annuity, payable in accordance with the provisions of this Act.

TAB

Transmittal Letters

DRAFT

The Honorable Spiro T. Agnew
President of the Senate
Washington, D. C. 20510

My dear Mr. President:

This letter transmits for the consideration of the Congress a draft bill amending the Central Intelligence Agency Retirement Act of 1964 for Certain Employees.

The principal purpose of the proposed legislation is to improve the financing of the CIA retirement system by adopting the same funding procedures recently approved for the Civil Service and Foreign Service systems in P.L. 91-93 and P.L. 91-201. A number of other amendments which deal with technical changes, reemployment, and limitation on number of retirements are also included. The proposals are explained in detail in the sectional analysis and explanation which is attached.

We would appreciate early and favorable consideration of the proposed legislation. The Bureau of the Budget has advised that there is no objection to presenting the proposed legislation to the Congress from the standpoint of the Administration's program.

Sincerely,

Richard Helms
Director

Enclosure

Distribution:

Orig - Adse	1 - ER
1 - DCI	1 - DDS
1 - DDCI	1 - D/Pers
1 - Ex/Dir-Compt	1 - OLC

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Speaker of the House of Representatives
Washington, D. C. 20515

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Packet given to Bannerman,
Coffey, [REDACTED] Warner,
[REDACTED] and JMM on

2 April 1970

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